

## Small Business Focus Group

Lisa Wood, Consultant, Northwest SBDC

### Lisa Wood Feedback

- Many businesses really don't want to go in to debt and they really aren't sure when the pandemic will end and their business will pick back up to previous levels. Committing to a 5 year loan is a scary step with so much uncertainty. The EIDL structure has many factors that small businesses are looking for right now - extended payment deferrals, low interest rate, and long amortization. The banks took little to no risk on making a PPP loan because it's fully backed by the SBA should the borrower default.
- I wasn't clear on the funding mechanism for these Climber loans - so I will assume there is some shared funding - bank lends 50% and fund lends 50%, maybe? That will mitigate some of the bank's risk, but they are still potentially out the 50% if the borrower defaults. The loan will have a higher risk rating and it will require more reserve for loan losses which is an expense for the bank and usually means the interest rate will be higher. I think some kind of guarantee on the bank's portion would be needed to help induce banks to make these kinds of loans.

### Lisa Wood's Focus Group Recommendations

- Tim Hubbard - owns 4 restaurants, (3 in Grand County and 1 in Denver). He is also involved in Colorado Restaurant Assoc.
- Alan Baldo, Liquid Descent (rafting co in Idaho Springs and Kremmling). Thoughtful, smart business man.

Lisa Hudson, Director of East Colorado SBDC

### Lisa Hudson Feedback

- Many of my clients are struggling in making loan payments, utilities, leases, and inventory.
- Non-profits need to be included; we have several in this county that is running scared of having to close down because their revenue has been cut; people are not contributing because of COVID-19. This includes Chambers, mental health agencies, etc.
- I think some of the things that my clients would most need were already included in the PowerPoint. I think another good suggestion might be a debt consolidation loan. Some of our clients have been putting emergency funds on credit cards or other alternative quick loan options so having an opportunity to consolidate into one reasonable payment would be extremely helpful.
- What I see is clients and businesses are resistant to more loans. What they really need is better cash flow. What would be the most helpful for several of my clients is a way to lower refinance current high-interest loans into more responsible interest rates. No one knows the future and they are worried about more loans, they would just like some deferment and lower rates on existing loans.
- The businesses that I talk to or that relate their needs tell me the biggest need is probably not a loan, but if they were to get a loan, they are asking for something that is not so complicated and with so much paper work that it takes too much to do. The needs that keep coming up for my clients is the need for rent. As things have slowed and CARE ACT funds have been spent, I have some businesses that are very concerned because rent is too high and they have exhausted PPP and EIDL funds as well as all the landlord's, or mortgage companies have forgiven or delayed payments for the first few months. It is back to reality for many business owners who have brick and mortar, but not much has changed in their improved sales. They are scared of the paperwork as they are scared of the government coming after them. They are looking for loans that give them

some options to use the funds in a more flexible way and not so restricted that they are working with the paperwork more than with building up the business or maintaining it. They also are telling me that they want something that is quick (turnaround time is better than what they have seen in the PPP and the EIDL).

- In response to the climber deck loan process there are a number of business categories that are mainly forgotten! Those include all those that are home-based and the creative industries. We have a number of businesses that are home-based in the agricultural market place and have no place to find any small financial assistance. We also have a number of creative artists and musical groups that have no place to find financial assistance. These include existing long-term businesses and a number of startups. I agree with Jesse that through the process of all these other loans like the EIDL and the PPP, they were overwhelming and too cumbersome for those types of small businesses. There should be some type of loan or financial assistance that is at a minimal interest rate, or grants! Agricultural associations or farmers markets are a great example, and art and creative events are another example. With Covid and all of its restrictions where is the place for financial assistance for the home based business, where most are working from today?

#### **Lisa Hudson's Focus Group Recommendations**

- Diane Schulte who owns two businesses in Fort Morgan. The Flower Petaler and The Dressing Room. The businesses are connected side by side and she operates them under one business name, The Flower Petaler may make a good focus group member.
- Romia with RC Auto who has been active in seeking grants and opportunities for funding.
- Aimee Hutson from Aunt Helens since she was heavily impacted.
- Some good business to include in a focus groups are: restaurant businesses for sure, retail stores and small ma and pa shops that provide products. Brick and mortar small shops. Obviously the service sector such as hair salons, nail salons, therapist services, they are hurting due to clients' fears of contracting COVID-19. Another type of business that goes along with Jesse's service is the child recreational businesses. I have two clients in that area and one of them has had to close down until further notice due to very low sales.

#### **Mary Shepherd, Executive Director, Southwest Colorado SBDC**

##### **Mary Shepherd Feedback**

- What about earmarking some of these funds for employee ownership deals (either to fund higher risk deals or participation/gap funding on these deals or down payment assistance on these deals.) That may help spread the risk on bank loans on these deals and help some of these businesses where the owner is "tired" and wants out but can't sell right now due to covid.

##### **Brian Rose, Region 9 Feedback**

- There is an increase in Small Biz Owners wanting to sell out and retire. This is typical with most disasters or economic downturns. Sometimes an employee or a group of employees wants to buy the business but they are lacking an adequate down payment (if they have any at all) or cash to help with working capital. Could the program be allowed to fund up to 10% of the purchase price of an existing business? That might leverage 80-90% in financing from Banks if they do an SBA loan.
- We have sector concentrations in restaurants and report the exposure level regularly to our committee. We could use the fund to help minimize those concentrations going forward.
- Is there an opportunity to do a participation on a loan funded since 3/1 that may would have met guidelines of this new program? By doing that, it would help local loan funds recapitalize our loan portfolio to a small degree?

- I would like to see the funds allowed for the continued disruption of COVID after the end of the year (assuming this winter has more closures). So many programs are targeting 3/1 through 12/3 as the date of harm but our CO businesses will be struggling again in 30-45 days when the few tourists leave.

**Marcia McGilley, Executive Director, Aurora-South Metro SBDC**

**Marcia McGilley Focus Group Recommendations**

- Ana Gallegos is my client and Richard (her husband) is the owner
- Jeffery Eaton, Senor Ric's Mexican Restaurant
- Lorena Cantarovici, Maria Empanada
- Kris and Valerie Petersen, Petersen Custom Glass, LLC
- Renee Leon, Aurora AutoPros, LLC
- Herb Huber, Helga's Deli